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NOTES ON MEETING ON  
CSS STORAGE MANAGEMENT ACTIVITIES  
OCTOBER 3, 4, AND 5, 1955

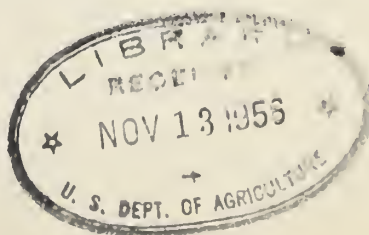
Report by Commodity Offices on Status  
of Warehouse Examination Program in Area

1. Boston. Boston reported 186 approved warehouses for the storage of wool, of which 135 were active and 51 inactive. Their cycle of warehouse examinations is on a 60-day basis and is current. They reported sufficient personnel to handle their warehouse examinations on the basis of 186 approved houses. They have no cost figures showing the average cost to CSS for one warehouse examination.

2. Chicago. Chicago has 25 warehouse examiners, 16 of whom are grades GS-7 and GS-9 and nine are GS-5 trainees, mostly college students. They have divided their 19 States into 22 districts, with examiners headquartered in these districts. They need, however, two more examiners in order to fully staff all 22 districts.

As of June 30 they report being approximately current on original examinations, and as of that date they had performed 2,300 original warehouse examinations out of a required 2,750. The backlog of 450 is represented principally by supplemental applications received from warehouses in the States of Iowa, Illinois, and Indiana.

The Chicago office has 3,375 grain and bean storage agreements, each agreement averaging three buildings. They have contacted two States with a view toward obtaining warehouse examination agreements, these States being Iowa and Illinois -- no results.



They are not current on their subsequent warehouse examinations, due to the fact that new construction of storage facilities has proved a burden. They feel, however, that they will be current on the next cycle.

They are continuing their program to recruit each spring college students for trainee warehouse examination positions. They have an arrangement with the Civil Service Commission that warehouse examiner trainees, subject to their compliance with the training program, may be promoted after six months to GS-7. Chicago indicated that it takes approximately four months to effectively train a college student into a full-fledged warehouse examiner.

Chicago has developed a warehouse examiners' handbook and has distributed it to other offices for their information. They have no figures available as to the average cost per warehouse examination.

Mr. Ballou asked Mr. Diggins of the Chicago office, "What is a warehouse, for examination purposes?" Diggins indicated that where quonsets are added to existing elevators and all warehouse receipt obligations of the multiple buildings are listed on one Form 312, this warehouse installation, for subsequent examination purposes, is considered one. Minneapolis indicated at this point that they have as many as 350 warehouses on one agreement, and if one house defaults they suspend only the defaulted house.

3. Cincinnati. Cincinnati covers 41 States for processed commodities. Mr. Rodwell indicated "building used" is his answer to the



definition of a warehouse. Dry and cold contracts with the same house are assigned only one code number -- two railroads mean two codes.

The number of warehouses in the Cincinnati area in terms of contracts is 732. Warehouse examinations are on a 90-day cycle, and Cincinnati is averaging 230 reports a month. They produce more than one examination report per storage contract.

Cincinnati is current on its cycle of subsequent examinations.

Cincinnati is now entering its annual physical inventory subsequent examinations which are usually conducted between November and February. They are not spread out over the calendar year.

Cincinnati has 12 warehouse examiners, one on the office staff and the others stationed in areas where their work is performed. Their average age is 60 years. They are endeavoring to get trainees to replace expected retirements of older examiners. They have no trainees at the present time but require two. They have no information on the average cost per warehouse examination.

Cincinnati has completed its warehouse examiners' handbook, and it will go to print very shortly.

4. Dallas. Dallas has a total of 30 warehouse examiners, one stationed on the staff in the Commodity Office, and 29 operating in the field. Dallas indicated that one or more buildings at the same railroad station are assigned one code and treated as one subsequent examination.

They reported as being current on their subsequent examinations, expecting to make 5,000 examinations this year; 1,200 have already been completed.

Dallas complained of losing good warehouse examiners to industry, which offers higher pay.

The staff of warehouse examiners is adequate in Dallas, but special assignments, such as the current one, where they are using 15 examiners in expediting the sale of rice, places a substantial burden on the staff of examiners.

Dallas has no information on the average cost per warehouse examination.

Dallas indicated that they are using warehouse examiners as field representatives of the CSS Commodity Office on matters pertaining to various operations such as fiscal, sales, etc.

While Dallas does not have a training program such as Chicago has, they get their warehouse examiners together each four months to develop solutions to problems and exchange ideas.

5. Kansas City. Kansas City covers five States and they have listed 4,045 grain and bean warehouses. They use the same plan as Dallas as to what constitutes a subsequent examination, and one code number. However, if two buildings of a warehouse are in the same city and enjoy the benefit of reciprocal switching, those two buildings are construed as one warehouse.

The total of 4,045 warehouses is broken down by contracts as follows:

U.G.S.A.	3,458
Grain-handling houses	446
Bean Houses	137
Seed Houses	4



On subsequent examinations, Kansas City makes up a separate Form 311 for each facility, but they execute one 312 for all facilities.

Kansas City had a slight backlog on current examinations June 30 and expect to be cleared up soon.

Kansas City has working agreements with the States of Kansas, Nebraska, and Wyoming whereby these States perform original and subsequent warehouse examinations for the Kansas City office. They indicate with this help they will be current by December 31.

Kansas City has 11 warehouse examiners composed of two GS-9, two GS-7, and five GS-5. Kansas City stated their staff was adequate and that they may be able to cut this staff by two or three examiners when the program for warehouse examinations in the three States gets into full swing.

Of the 4,045 houses, Kansas City estimates that 400 to 450 are outside of the States of Kansas, Nebraska, and Wyoming, therefore not subject to State agreements for warehouse examination.

Kansas City averages the performance of two examinations per man-day. The cost is estimated at \$18.00 per warehouse. This cost includes travel, per diem, etc.

6. Minneapolis. Minneapolis stated its definition of a warehouse is much the same as that of Kansas City. Minneapolis states they could have, for example, a dozen Butler bins in one unit.

They have 2,500 warehouse code numbers composed of 5,500 units requiring separate examinations.

Minneapolis has a staff of 18 warehouse examiners composed of three GS-9, three GS-7, and 12 GS-5.

They stated they need 22 examiners but they encounter difficulty in recruiting trainees. The warehouse examiners being called upon to perform "special examinations" has placed a heavy burden on the staff of warehouse examiners. They were current as of the end of the fiscal year 1955 on warehouse examinations but are currently behind and have completed 1,500 out of the 5,500 required.

The official station of all warehouse examiners is Minneapolis. They do not use the area or district method of assigning resident examiners.

Minneapolis expressed alarm at the prevalence of new construction of flat storage houses, which is over-burdening the load-out capacities of elevators.

Minneapolis estimated the average cost of maintaining a warehouse examiner in the field at \$56.00 per day. In the past they have averaged two warehouse examinations per day. They are currently using trainees in the capacity of full-fledged warehouse examiners after a one-month training period.

7. New Orleans. On oil storage agreements they have only two facilities, one at New Orleans and one at Houston, and they are current on their examinations of these houses. They have no cottonseed meal stored in the New Orleans area. On cotton linters they have 300 storage contracts, and their frequency of two examinations per year of these houses is current. In the New Orleans area, there are 1,250 approved cotton warehouses, 450 of which are federally-licensed. They perform two examinations per year on the nonfederally-licensed houses, with one complete inventory per year.

They have encountered considerable difficulty in the time consumed in taking inventories of baled cotton. They stated that last year it took 12 men six months to make a tag check of baled cotton and estimated they will need 35 men to tag check cotton next year because of the heavy inventories expected.

New Orleans is developing a handbook. They are using clerks from their own office as helpers to examiners on tag checking. They have no average cost per warehouse examiner.

On their current inventories they are able to perform 1.2 warehouse examinations per day, but it is estimated because of heavier holdings next year this will be lowered to .57 houses per day.

The nonfederally-licensed warehouses complained that federally-licensed warehouses were permitted to store cotton on the ground outside their warehouses.

New Orleans usually performs its inventory after the first of the year.

The question of how many bales of cotton a man can check a day was raised. New Orleans stated that in one case a two-man team tag checked 2,500 bales in one day but that the average tag checking for two men is 1,500 bales a day.

8. Portland. Portland indicated that a warehouse is a facility having the same unloading and out-loading equipment -- they have several warehouses under a single code symbol.

Portland has 1,098 U.G.S.A. houses, 10 grain-handling houses, 175 bean houses, 106 seed houses, 3 rice houses, 76 dry storage houses, and 59 cold storage houses, or a total of 1,527 storage agreements.

Portland is staffed with 12 effective warehouse examiners. Six are GS-7 and six are GS-5 trainees.

As to the status of examinations, Portland reported they are 76.5% current on grain, 98% on beans, 90% on seed, 62% on dry, and 80% on cold. Status of warehouse examinations for the last six months (completed) 31% grain, 45% beans, 54% seed, 25% dry, and 30% cold. Portland stated they must double their warehouse examination staff in order to adequately perform the warehouse examination functions. They stated they are unable to recruit trainees.

Portland is also concerned with the rash of apparent shortages of grain disclosed on subsequent warehouse examination.

Portland has no figures on the average cost per warehouse examination.

Discussion of Warehouse Examiners'  
Problems on Original Examinations

Portland indicated that in conducting original examinations they utilized Form PD 157 to diagram the facility and PD 158 to record the facility's capacity. Portland also uses CCC Form 24, Application on Grain Warehouses, instead of Form 71.

Chicago designed its own forms to substitute for CCC 71 and CCC 24.

Minneapolis uses Form 24 only. Dallas uses Form 24 only and charts the facilities. Kansas City uses Form 24 and makes notations on the capacity and charts a diagram.

Cincinnati uses an application of their own design and CCC Form 71. New Orleans uses Form 49 and 49-1 for cotton and Form 71 for oils.



Kansas City expressed a need for greater experience on the part of warehousemen before they are approved. They stated that they must have greater assurance of the operator's integrity and experience, since many warehousemen request approval when they have not had adequate experience to perform their work.

Kansas City suggested that a form be designed on which an examiner could report on the experience and integrity of operators of new grain storage facilities.

A poll of the CSS Offices indicated that each uses sketches and bin charts.

Kansas City examiners make their own measurements and sketches after taking into consideration a safety margin.

Minneapolis makes a 10% check of original measurements on each examination.

Kansas City stated that they always determine the warehouseman's receipt obligations at the time of making the original examination. Chicago does not. Portland - not always.

Dallas uses warehouse blueprints to check against, whenever they are available, in determining capacity.

On pack factor, Kansas City uses 5% on upright storage and 8% on flat storage. Portland endeavored to establish similar pack factors but encountered much opposition because of uniform State storage laws in Washington, Oregon, and Idaho which they are required to accept for capacity determination; however, Portland uses pack factors on subsequent examination.



Dallas - their percentage for pack factor is 4%. Dallas makes adjustment for pack on subsequent examinations. A 3% variation is considered a short warehouse on subsequent examinations. Dallas says they should not use pack factors on original examinations.

Portland would like authority to turn down approvals of grain storage warehouses where they have a surplus of storage space available. Hanson says you can't refuse to enter into a contract on grain storage warehouses.

Cincinnati proposed a review toward shortening Form 70.

The question was raised as to what are acceptable warehouse records. Minneapolis says they are unable to check inventories in many line warehouses for the lack of on-the-spot availability of warehouse records. It is necessary for the examiner to go to the home office in order to balance out warehouse receipt obligations. Minneapolis says that North Dakota gave up on reconciling inventories in grain houses in their State operations for the same reason.

Kansas City believes that we are vulnerable on not making a greater check on scale tickets when inventorying grain. Kansas City takes the statement of obligations from warehousemen and checks the books out against the statements as far as they can.

New Orleans has difficulty in computing capacity of warehouses for bonding purposes but stated they will be able to overcome this difficulty without help.

Cincinnati stated that they encountered some difficulty when warehouses with which Cincinnati has contracts for the storage of milk, for example, also have contracts with New Orleans for the storage of cotton linters -- which being highly combustible endanger the CCC dried milk.

It was agreed that from an over-all policy standpoint we do not need to be consistent. Each commodity's requirements must be met.

Kansas City suggested that in regard to the load-out or capacity to handle per day the warehousemen be required to list other Government contracts, for example, with Defense and other CSS Commodity Offices.

Licensed Capacity on U. S. Warehouse  
Act Warehouses

The problem was posed as to warehouses operating under the U. S. Warehouse Act which do not provide total capacity covering all facilities. This matter has been taken up with the local office of the U. S. Warehouse Act which advised that in the future they would arrange to furnish this information to the appropriate CSS Commodity Office.

Policy Regarding Term of Lease in  
Warehouse Approvals

Cincinnati reported experiencing difficulties by warehousemen terminating building leases without providing the commodity office with adequate notice.

Minneapolis reported experiencing the same difficulty, which is greatly on the increase with warehousemen having flat storage. These are most common on so-called profit-sharing arrangements.

Cincinnati indicated that it was their opinion we should recognize the so-called profit-sharing lease type and tailor cloth accordingly. We should know how long the lease or control over the building by the warehouseman is protected.

Cincinnati suggested that we might eliminate the procedural provision for a year's lease and that they would prefer more leeway, such as "a reasonable time" be specified. Admittedly the present procedure must be revised in regard to elimination of certain facilities when the warehouseman leases them to field warehousemen, according to Ballou.

#### Revision of CCC Form 24

It was indicated that there was some need for expanding Form 24 so as to provide more complete information regarding "type of construction". Information should be also provided relative to the need for aeration on flat storage, likewise the question relative to "operating equipment" needs clarification.

In reference to storage facilities, Kansas City referred to question No. 3c, which should be expanded whenever the Form 24 is revised.

Portland suggested the addition of the warehousemen's phone numbers to this Form since it would be of material assistance in promptly contacting the warehousemen. Portland also indicated that question No. 4 was confusing at times.

CSS Commodity Offices were asked to submit proposed changes to Form 24 in the hopes it can be so revised to include the extra information which Chicago and other offices are now obtaining on their own special forms.

#### Approval of Emergency Annexes (Grain)

Minneapolis is experiencing a material work load increase due largely to the small feed mill mixing houses, with only 5,000 to 6,000 bushels capacity, entering into storage agreements. The facilities are

satisfactory but the capacity is so small that material delays can be expected on a load out order. This problem has been presented to the Grain Division by letter and reply made September 27, which in effect authorized the method of handling such situations as proposed by the Minneapolis office. This problem appears peculiar to the Minneapolis area.

A thorough discussion of the capacity and load out problem was largely resolved in the statement that an elevator should not be used in excess of the warehousemen's ability to load out in thirty (30) days time.

Chicago raised a question in regard to making original examination covering "bin sites". It appeared that all areas were not uniform in their approach to this problem. The Grain Division was requested to assure that instructions relative to making original examination at "bin sites" was clear with the view of eliminating such requirements if permissible.

In regard to determining capacity for bonding purposes on "bin sites" where no original examination is made, it was generally agreed that the County Committee record of "rated capacity" would be utilized.

Probing Grain, Pack Factors, etc.

Minneapolis poses the problem presented when upright bins are filled nearly to the top. It is not only time consuming but it is difficult to determine storage liability.

Minneapolis feels the need for an auditor and warehouse examiner to work in pairs.



A good portion of all examinations should be complete. However, could make exceptions and not go the full way with known high caliber warehouses. Should provide examiners with some leeway when the known reputation of the warehouseman so warrants, and thereby skip some of the extensive requirements, including a complete inventory, in such instances.

Minneapolis stated that three quarters of the examiner's time is taken up by involved verification of warehouseman's storage liability. They reported complaints of poor warehouse records, also the inaccessibility of records turned over to agents acting as business heads, such as in country warehouses. Accordingly, country warehouses do not have records of their own.

Use of CCC Inventory List in Verifying Inventories

Chicago goes to the warehouse books and examines all outstanding warehouse receipts.

Examiner is equipped with an IBM report for all warehouse receipts plus a record of loading orders.

Minneapolis does not furnish an IBM listing of receipts, neither does Kansas City nor Dallas.

Dallas indicated that the IBM listing has no value. Their examiners on the other hand list all outstanding receipts and verify status of loading orders.

Chicago concurred in the general statement of Dallas and further adds that it should be permissive and not compulsory for the examiner to be provided with an IBM listing of warehouse receipts.



New Orleans furnishes an IBM listing to examiners.

Cincinnati also provides an IBM listing to the examiner who mails back the verified list promptly for Program Operations Division to utilize in rechecking their working records.

Boston furnishes an IBM listing.

Minneapolis -- IBM has some value when inventory is taken at country points. When it is necessary to verify records at a home office, such listing has no value.

Dallas checks all warehouse receipts regardless of ownership of commodities.

All offices verify total liability of all warehouses examined and do not restrict liability determinations to CCC ownership.

Minneapolis proposes a performance bond in lieu of a state bond as at present.

Dallas does not check scale tickets except in those cases where trouble may appear; then they may use to further reconcile the records. Dallas takes the warehouseman's statement on non-CCC owned grain.

Chicago verifies all records regardless of ownership -- scale tickets included.

Minneapolis indicated that all States in their area, with the exception of Wisconsin, by State Act require the issuance of warehouse receipts within 24 hours after delivery; therefore, they see no need to check scale tickets.

Portland checks storage ledgers after checking warehouse receipts and in so doing breaks down the record by ownership.

Chicago gets a monthly listing of outstanding receipts which is provided the examiners at the time of inspection.

Portland would like to see the firm requirement for examinations be so modified as to permit some selectivity and accordingly make one very good examination a year rather than two that might be mediocre.

Chicago reported that some warehouses have come up short recently due to bad management; however, in each instance the company was reputable and immediately squared the account with CCC. The warehouseman expressed considerable praise for the thoroughness of the warehouse examiner's job in so disclosing the shortcomings of certain warehouse managers.

Further discussion relative to the present requirements for two physical inventories per year could be summarized with a general preference for one complete inventory and as many others as may be desired, to be considered "housekeeping" examinations.

An inquiry was made as to the value of a "housekeeping" examination and New Orleans indicated they had issued a lot of 70's (exceptions) on the basis of "housekeeping" examinations.

Kansas City reported that for the three States which are under agreement to examine warehouses for them, each State feels that two inventories are an absolute minimum.

Kansas City further is still giving considerable thought to the prior discussion relative to the listing of warehouse receipts by number. Felt that this might have some value although admittedly it would cost more and to them it was an unknown factor as to the extent to which it might improve their effectiveness.

Portland reported that they had been criticized for not using an IBM listing; however, it was their opinion that they would be more criticized if they did not continue to follow their present system of listing warehouse receipts. Presently they go to the receipt books of the warehouseman and list outstanding receipts, then to the warehouseman's ledger to go through the individual accounts. In so doing they endeavor to find the company's owned position which admittedly is difficult and variable between warehouses. Loading orders are considered and they would especially like the privilege of continuing their present system. Again IBM runs are not sent to examiners by the Portland office.

Portland would like to change to one inventory examination per year as a minimum.

Kansas City prefers to leave as is.

Portland further would like to obsolete Form 312.

#### Termination of Contract on Cancellation of Bond

Chicago has over 1,200 warehouses operating under the agreement for handling grain through country houses. Many of these houses maintain their bonds for short periods only, while they are actively handling grain. When these houses terminate their bond, Chicago follows the practice of also terminating their agreement. Chicago requested that they be permitted not to terminate the agreement because of problems of examination, etc., involved, but merely to suspend the house from active use pending the later establishment of a bond. Chicago was informed that they could do this without any change in the current instructions issued by the Grain Division, which would accordingly permit reinstatement without requiring another original examination.



Discussion of Warehouse Examiners' Problems  
on Subsequent Examinations, Including Use  
of CCC Inventory Listings

Dallas. Dallas prefers two subsequent examinations on grain houses per year, with the physical inventory and a check of the warehouseman's receipt obligations performed at each examination. They want, however, to reduce the subsequent examinations on bean houses to twice a year. It is currently on a 90-day basis. Mr. Ballou told Dallas to write into Washington for authorization of this suggested change.

Dallas also was considerably worried about the problem of probing grain for testing purposes in flat storage houses. They sometimes have grain 60 to 70 feet deep and are unable to probe to the depths required.

Dallas was also concerned with problems of aeration of flat-stored grains, and requested information on this topic. It was suggested that Dallas take this problem to Dr. Randall Latta, who would be able to assist them in this matter.

At this point Kansas City described what is called a deep-bin probe, which is used by that office where depths of grain present sampling problems. It was described by the Kansas City office to the group, and anyone who wants information on this special type of probe can obtain it from the Kansas City office.

Chicago. Chicago prefers the listing of warehouse receipts in the same manner in which Dallas performs this operation. The Dallas office at the initial examination tabulates a list of all outstanding warehouse receipts on the warehouseman's ledger. At each subsequent visit to this

warehouse they mark off the cancelled receipts from their list and add receipts issued since the last examination. In this way they are able to maintain a running list of warehouse receipt obligations of a particular warehouse.

Dallas pointed out that this is a sizable task only on the initial listing. At subsequent reconciliations they merely need to eliminate the cancelled receipts and add those newly issued.

Chicago also wants to continue the use of IBM listings of warehouse receipts in connection with their subsequent examinations, but they do not want to be required to reconcile their listings of warehouse receipt obligations with the Fiscal IBM listing. Chicago felt that it was not worth while.

Chicago permits a 5% tolerance in their inventories taken, and permit no pack factor at all except in the case of oats.

With respect to shortages disclosed on subsequent warehouse examinations, the Chicago office presents information on such inventory shortages to a committee made up of a member each of the Program Operations Division, Fiscal Division, and Field Operations Division. This committee reviews the facts relative to the shortages and determines whether such shortages are operational or involve civil or criminal action.

Chicago office checks insurance records of the warehouseman when possible but does not want this made mandatory, since it is not always possible to obtain insurance policies at particular facilities. They believe this matter should be left to the discretion of the examiner.



Chicago favors the making of two subsequent examinations each year, at one of which a complete inventory and check-out of warehouseman's receipt liability would be made and at the other a general housekeeping check of the facility. Chicago further recommended only one examination on grain-handling houses and also favors the continuance of the use of Form 312.

Minneapolis. Minneapolis favors an "all-out" subsequent examination once per year and other subsequent examination at which they would check the housekeeping but make no check of the storage liability of the warehouseman.

Minneapolis does not use a percentage in establishing the norm for reported shortages. They require the examiner to sign his inventory shortage statement, which is the initial determination of an existing shortage made by anyone in the Minneapolis office.

#### Action to be Taken in Event of Shortage in Inventory

The question was raised, "What is an operational shortage?" Dallas posed a problem which is currently confronting them in connection with reported grain shortage. In brief, the problem is illustrated as follows: The Dallas office would store 100 cars of grain in a particular facility and subsequently order out 90 cars of that grain -- the accumulated shortages for the 100 cars manifests itself in the last 10 cars remaining in the facility. This accumulated shortage charged against the 10 cars of grain stored in the facility can show on occasions a 30 to 40 percent

shortage with relation to the particular 10 cars. Dallas, under this set of circumstances, has been treating a 30 to 40 percent shortage as operational. Their reasoning follows: Had they ordered out the total 100 cars from this facility, the 30 to 40 percent shortage would have been distributed over the 100 cars and adjustments made in due course upon warehouse settlement at the market value of the grain.

Dallas feels that to treat this situation any differently is manifestly unfair to the warehouseman, since under existing instructions when operational shortages occur CSS offices require the grain warehouseman to place himself in position by reimbursing Commodity Credit Corporation for this shortage at the statutory grain price rather than the market price. They give the warehouseman 15 days within which to straighten out his position.

If the warehouseman refuses on the basis of the equity of the transaction or if he is unable, because of the market situation, to get himself into position, Dallas raised the question, "What do you do?"

Dallas feels it is unfair to charge him the statutory price in making amends for the shortage of CCC grain to get him into a sound position, and the CSS office is not permitted by law to sell him the grain at the market value.

It was stated that Dallas has situations such as this, where the warehouseman has refused to reimburse CCC at the statutory price and will not, or is unable to, replace the grain at the market price. Thus far positive action has not been taken in these situations by the Dallas office.

It was declared at the meeting that any shortage, whether that belonging to CCC or that belonging to others, should be dealt with in a positive manner.

The Minneapolis illustration of the Montana rancher deal, wherein the warehouseman had sold the rancher grain and in effect replaced it by purchasing grain futures, was one in which CCC is vitally interested from the standpoint of the warehouseman's integrity, although CCC may not have grain in the facility at the time of this occurrence.

Stan McMahon of the Grain Division was requested to get an opinion from the Office of the General Counsel on the following situation: What action should be taken by the CSS offices under the following circumstances:

1. Where shortages or other irregularities may develop in warehouses where CCC itself has no commodities stored.
2. Where shortages or irregularities develop in commodities in which CCC has no interest but has CCC commodities stored in the same warehouse.

Stan McMahon was also to furnish answers in connection with the situation cited by Chicago where a warehouse may have stored in its facilities, for example, six million bushels of a class of wheat different from that stored in that facility for the account of CCC. The question to be answered by Mr. McMahon is whether the warehouse examiner should take a complete inventory of all the grain in the house irrespective of class.

Portland outlined a problem they have in connection with the determination of operational shortages. It was understood by the Portland office that the instructions required the Director of the CSS Commodity Office to consult with the Regional Attorney as to the substantiability



of evidence of criminal action on the part of warehousemen where shortages are discovered.

It was the understanding of the Portland office that the General Counsel's office, once a shortage of grain was reported to that office, would be required to process legal action against the warehouseman, notwithstanding the substantiability of the evidence -- in other words, the Regional Attorney could not "screen" the case.

Mr. Ballou requested that instructions to the Regional Attorneys on this screening might be determined, and requested Mr. Art Mead of the Grain Division to make such determination.

Portland also requested that the instructions covering actions to be taken by the CSS Commodity Offices and others in connection with reported shortages be consolidated into a single instruction -- it now is a part of three separate instructions.

Portland also raised a question as to whether, when the United States Attorney declines action on a warehouseman's shortage, the CSS Commodity Office Director should restore such a warehouseman to the approved list. This question was answered by stating that it was within the authority of the Director of the CSS Office to do so if he felt it proper.

Chicago again raised the question in connection with the use of lists of warehouse receipts which are furnished to country elevators by their central office -- in other words, is it satisfactory for the warehouse examiner in examining a country warehouse to review a list of warehouse receipts furnished to that country house by their central office rather than review the actual receipts themselves in determining warehouseman's storage liability?

Removal of Waiver on Warehouses Requiring  
an Examination with Inventory every 60 Days

The Portland office raised the question as to how long CSS Offices must comply with the requirement that warehouses which have been granted a waiver must be examined and an inventory taken every 60 days. The Grain Division pointed out that this was a condition contained in the waiver itself, but that if situations changed within the knowledge of the CSS Commodity Office such examination and inventory every 60 days may not be necessary. CSS Commodity Offices should write in to Washington for instructions, explaining all circumstances surrounding a particular instance.

Inventory Shortages

Minneapolis, Kansas City, and Dallas require their warehouse examiners who take the inventories at the warehouse to make their recommendations on small shortages to the CSS Office.

The Portland office instructs its warehouse examiners that in all cases of shortages discovered the examiner must immediately telephone the CSS Commodity Office, and the Director thereupon decides the action to be taken.

The Chicago office bases the action to be taken on shortages on the recommendation of a committee composed of CSS Commodity Office members to the Director, who determines the action to be taken. In all field office operations, it was generally agreed that the Field Operations Division or the Storage Management Division make initial evaluations of shortages.



The topic of probing upright grain houses again was brought up. The Minneapolis office stated that it is not possible in some bins and other upright storage houses even to enter the structure for the purpose of probing.

With respect to action on Form 70, the several CSS Commodity Offices handling grain spot check the action taken by warehousemen. Cincinnati, however, goes back and checks the action taken by warehousemen on all Forms 70.

Mr. Ballou polled the several CSS Commodity Offices and the Commodity Divisions concerned as to whether each was satisfied with the procedures and methods utilized in conducting subsequent warehouse examinations -- should the instructions to the field be more in detail, or should they remain as they are. It was generally agreed by the CSS Commodity Offices and Commodity Divisions in attendance that it is more desirable to have the instructions on this operation general, as they are, and that the details of conducting warehouse examinations should be left to the CSS Commodity Offices themselves.

It was pointed out by Mr. Ballou that where an instruction is general it undoubtedly facilitates getting the job done, since it affords more latitude for the CSS Office to adapt its action in accordance with the specific situation, but general instructions throw greater responsibility on the CSS Commodity Offices. He called this to their attention so that they would be reminded that notwithstanding the general nature of the instructions, it still is the responsibility of the CSS Commodity Offices

to carry out an effective warehouse examination program, and that where any questions arose in connection with the instructions or the application of their own judgment, Washington should be consulted.

#### Agreements with Federal and State Regulatory Agencies

Mr. Ballou announced CCC's policy to encourage agreements with states and regulatory agencies to perform warehouse examinations on a cooperative basis with CSS Commodity Offices. He stated that he hoped the field will take the necessary steps to explore all possibilities in this direction and conclude agreements where possible.

It was brought out that agreements with states for warehouse examinations will be made only in those instances where states have a current program of warehouse examinations performed on their own behalf.

Dallas stated that it was studying the possibility of working out agreements with states.

New Orleans said they would be glad to give thought to the implementation of this idea.

#### General Policy regarding Disclosure of Rates to other CSS Commodity Offices

It was agreed at this meeting that it was perfectly proper for CSS Commodity Offices to exchange information on warehouse rates where such exchange is necessary due to the same offices dealing with the same warehousemen. This is particularly applicable in connection with the storage of oils as between Cincinnati and New Orleans.

#### Performance Bond

Kansas City suggested a need for revising applicable instructions pertaining to the cancellation or substitution of bond when contract is still in effect.

Chicago reported a similar problem. However, they now use a letter to the warehouseman which was prepared by the Office of the General Counsel.

The chair instructed both the Kansas City and Chicago offices to formally present the problem, Chicago including a copy of the letter which they are using, and the Fiscal Division will following through in making needed revisions or supplements to present instructions.

Mr. Barton of the Grain Division was instructed to issue a clarification relative to the practice of attaching a copy of the storage agreement to the application for bond. Dallas especially felt the need of help inasmuch as their Regional Attorney presumably was not following the same practice as those in other areas. Barton will send such clarification to the CSS Commodity Offices, including New Orleans, Boston, and Cincinnati.

#### Martini Shortage Case

Kansas City reported their experience in the court on the Martini shortage case in which the court held that CCC had no authority to load out after the case was in litigation, since in substance in so doing CCC was actually converting. All other offices reported that they were now following the practice of loading out immediately after a shortage was discovered regardless of the above-cited case.

#### Form 312

Minneapolis uses in a modified form. Kansas City and Chicago use as is. Dallas and Portland would like to drop the use of same. The Grain Division will attempt to change instructions to make the use of Form 312 optional.

If changes are desired on Form 311, all CSS Commodity Offices desiring such changes should advise promptly, giving in detail the



changes desired. Minneapolis will send to Grain Division, attention Mr. Mead, copy of the revised Form 312 which they now use.

#### 120-day Clause

With respect to the "120-day clause" contained in storage agreements, following are the viewpoints of the several offices.

Cincinnati discussed the problem further since the September 8-9 meeting, and are still of the opinion that the administrative savings would make it advisable to eliminate the 120-day waiting period. Dallas, on the other hand, prefers to retain the 120-day feature on milled rice, thus allowing needed time to obtain warehouse receipts. Mr. Grogan indicated that his discussion with the General Counsel lead him to the conclusion that present contracts could not be so changed, but if it was still desired new contracts would be negotiated on the proposed basis. He further stated that inasmuch as the matter was still somewhat fuzzy from a legal standpoint, their thinking at this time was to leave the 120-day feature in the tank contracts now being revised. Cincinnati still prefers to eliminate the 120-day feature. However, they agreed to compromising to a 30-day notice for change in rates and services, leaving the 120-day feature for vacating. Cincinnati stated that the applicable CSS Instructions would require changing in order to conform with whatever change might ultimately be made in this provision of the contract.

#### Set-Off Policy

Rulon Gibb, Treasurer of Commodity Credit Corporation, set forth the policy with respect to set-offs. Where, for example, a shortage is discovered in the storage of CCC-owned grain, the CSS Commodity Office



should take temporary action to withhold payment in sufficient amount to protect CCC's interest, pending the full development of facts. If it is determined necessary to completely withhold funds otherwise due the warehouseman, the amount withheld should be only that which is sufficient to secure CCC's interest. This should be made on the basis of an estimate. The Director of the CSS Commodity Office and the Claims Officer of these offices are the only two officials of the CSS Commodity Offices authorized to effect withholding of payments.

#### Personnel

The Minneapolis and Portland offices are the only two offices currently having warehouse examiner personnel problems.

Portland indicated that they would require a doubling of their force of warehouse examiners, which means an addition of 12 to 15 examiners.

Minneapolis now has 18 and needs 6 or 7 more examiners.

Mr. Hanson pointed out that CSS, Washington, never limited the budget available to CSS Commodity Offices for the hiring of warehouse examiners and the performance of warehouse examinations in general. He further pointed out that until Portland and Minneapolis are adequately staffed with warehouse examiners, other offices which have enough personnel should hold up on their demands for available warehouse examiner Civil Service Schedules.

Kansas City indicated that, because of the assistance in their warehouse examination programs afforded by the state agreements, they may be able to transfer three warehouse examiners at GS-7.

Chicago is currently looking for three more warehouse examiners.

Cincinnati wants two trainee warehouse examiners.

Mr. Kiefer raised the question as to how Personnel, Washington, will keep informed on the recruitment program of the CSS Commodity Offices since the CSS Commodity Offices obtain the Civil Service lists of examiners direct from Civil Service rather than through Personnel, Washington. It was agreed that the CSS Commodity Offices would keep the DAO currently informed on a continuing basis of the progress they are making toward the recruitment of warehouse examiners. In turn, Personnel would be advised.

Portland stated that they would talk to Kansas City on the basis of obtaining from Kansas City the three warehouse examiners which may be surplus to Kansas City in the near future.

Personnel, Washington, was requested to give Portland the complete Register on GS-7's and GS-9's, Warehouse Examiners.

It appears that the qualifications, particularly with respect to educational background, are too stringent to permit an orderly recruitment of needed warehouse examiners.

#### Warehouse Examiner Training Program

Personnel announced that Mr. Don Braun, who is in charge of employee training for Personnel Division, Washington, is available to all CSS Commodity Offices in their training programs.

Chicago discussed its program as worked out with the Civil Service Commission, which permits the Chicago office to promote a Warehouse Examiner Trainee, GS-5, to Journeyman Warehouse Examiner, GS-7, within a 6 months period.

Cincinnati also discussed their program with respect to short-term promotions of warehouse examiners.

Dallas stated that they have a custom training program for warehouse examiners -- they have a meeting four times a year which is comprised of classroom work, field trips, more classroom work followed by assignment of the Warehouse Examiner Trainee for 30 days to a Journeyman Warehouse Examiner. Dallas indicated that it takes about a year for a Warehouse Examiner Trainee to become eligible for promotion to GS-7. Dallas has no agreement with the Civil Service Commission on the 6 months promotion program. They must wait at least a year to promote Warehouse Examiner Trainees. They expressed satisfaction with their current program. Dallas also expressed at this point a desire for information on the aeration of grain stored in flat warehouses.

Mr. Hanson suggested that Minneapolis take steps to obtain agreements with the Civil Service Commission for 6 months promotions, the same as Chicago and Cincinnati are currently doing.

Chicago was requested to send Portland its material on its Warehouse Examiner Training Program.

#### Per Diem Paid Warehouse Examiners

There is no uniformity among the several CSS Commodity Offices as to the amount of per diem paid to warehouse examiners. Each office based the amount of per diem on what they felt in their experience was adequate to reimburse the warehouse examiner for travel expenses.

It was pointed out at this point that the CSS Commodity Offices should be making a continuing study of the amount paid warehouse examiners



for per diem expenses to see that such amount does not exceed the actual expense to the warehouse examiner since a report must be made to the Department from time to time on this matter.

Mr. Merriman requested the CSS Commodity Offices to keep a written record of these per diem costs in relation to the actual costs.

Portland requested permission to raise the 7¢ per mile automobile cost, but it was pointed out that this could not be done until the records of the CSS Commodity Office could show a genuine need for an increase.

Minneapolis and Dallas were requested to submit in detail, including cost figures, the apparent unfairness of the present policy of allowing only 4¢ per mile in the limits of the warehouse examiner's official station.

These offices have many warehouses to examine within the official station limits of the traveler who experiences greater car operating costs through traffic congestion and parking charges than is the case in rural areas where he receives 7¢ per mile.

Mr. Barker pointed out that, in connection with defense planning, need for records in the event of a national emergency should include the names of warehouse examiners, their duty stations, and their telephone numbers. Mr. Barker was requested to place this request for such information in a memorandum to all CSS Commodity Offices.

#### Safety Program

Mr. Holloway of the Personnel Division, Washington, lead a discussion on safety programs as they apply to warehouse examiners. He acquainted them with the current CSS Instructions on this topic, namely 355-1 and 353-1.



Portland requested that the forms required for compensation for injuries, such as small doctor bills, where a public health doctor is not available, be reduced. He pointed out that it takes a great length of time to get a doctor paid for \$4.50 which is incurred in line of duty by a warehouse examiner.

Mr. Hanson indicated that steps are being taken by the Civil Service Commission to consolidate certain forms now required in connection with injury claims. Mr. Hanson further suggested that CSS Commodity Offices should send in their suggestions on this topic.

Portland raised the question as to whether or not warehouse examiners could obtain free accident insurance because the nature of their jobs is hazardous. The answer to this was "no".

Portland also raised the question as to whether or not the warehouse examiners' jobs could be classified as a hazardous occupation and in this way obtain higher salaries for these examiners. It was pointed out that the nature, with respect to hazards, etc., of classified jobs in Civil Service are all given consideration at the time new jobs are classified according to grade and salary.

The Portland office has nine unpaid claims for compensation, and Mr. Abbott of Personnel Division was requested to contact Bolish (Denver) to see to it that these claims be expedited insofar as it is possible.

It was brought out at this meeting that methyl bromide, which is utilized for fumigating grain stored in bins and in flat houses, is exceedingly dangerous to the health and lives of warehouse examiners. There are instances where warehousemen do not exercise the necessary

caution in advising warehouse examiners when this fumigant has been used. It was pointed out that warehouse examiners should, in all cases, make certain that the areas examined are free from residual gases, such as methyl bromide.

Dallas office pointed out that many warehouse examiners perform their services in country areas where local physicians are not acquainted with the proper treatment for methyl bromide poisoning. He suggested that the other offices do as they do in Dallas, which is to provide the antidote for doctor's information in treating methyl bromide poisoning. Orkin Laboratories furnish cards which can be obtained by CSS Commodity Offices outlining the proper treatment. Holloway was requested to follow through on this to get cards for CSS Commodity Office warehouse examiners to keep on their person.

Holloway pointed out that CSS Commodity Office Directors should make certain that any property damage or public liability insurance policies, which warehouse examiners have on their own cars, should provide for benefits when the car is used for business purposes, such as would be the case when warehouse examiners travel. He pointed out that some policies exclude benefits when the car is used for business purposes and that it is to the interest of the warehouse examiner to make certain that he is adequately covered under his present policy.

#### Classification

Mr. Hanson pointed out that warehouse examiners in Grades GS-7 and GS-9 should, at all times, be able to explain to Civil Service Commission inspectors those features of their jobs which in substance support their

grades. Mr. Barnes stated that the supporting feature of the grade is that part of their job which in turn supports the top echelon of the office.

#### Guaranteed Occupancy Agreements

Chicago posed the problem where a warehouseman, signed up under a Guaranteed Occupancy Agreement, wishes to suspend for one year the requirement in the Agreement that CCC pay him, the warehouseman, money for unoccupied storage in that warehouse. He pointed out that some warehousemen, during certain seasons of harvest, are more desirous of storing producer's grain in their warehouses than in storing CCC-owned grain. Along with this request the warehouseman desires to obtain a waiver for filing the reports required under the Guaranteed Occupancy Agreement -- Mr. Chuck Howe indicated that this plan of the warehouseman is not acceptable under the present Guaranteed Occupancy Agreement, and that an official amendment to the contract would be required, such amendment in turn must be executed by the Director of the Grain Division, Washington, since all Storage Occupancy Agreements are so executed.

Chicago raised the question as to the effect it would have on the Guaranteed Occupancy Agreement if a warehouseman signed up under this Agreement would tear down one of his buildings which could cause a need for the revision of the capacity of the house. Chicago was requested to write to Washington for determinations and any necessary amendments to the Guaranteed Occupancy Agreement in such instances.

Dallas and Kansas City requested a memorandum from Chuck Howe which would authorize CSS Commodity Offices to make amendments to Guaranteed



Storage Agreements under a certain set of circumstances. This could not be done and CSS Commodity Offices were required to send their problems into Washington for solution.

It was brought out again that where a warehouseman chooses not to accept CCC grain for storage he cannot be granted a waiver. In each instance CCC must tender its grain to the warehouseman for storage. If this is done and the warehouseman refuses storage, CCC will not be required to make payments under the Agreement. It was again pointed out that only the Contracting Officer, who in this case is the Director of the Grain Division, Washington, may alter or waive any contract provisions of the Guaranteed Occupancy Agreements.

Clarification of Paragraph 7 of UGSA

John Barton of Grain Division pointed out that the Grain Division had already asked for comments of the CSS Commodity Offices and States regarding the proposed changes in the UGSA. The Grain Division has not yet had time to digest these comments and, therefore, it felt that these proposed changes would not be practicable for discussion at this meeting. Mr. Barton indicated that they are endeavoring to do an overall job of editing the language of the UGSA with a view toward shortening the sentences and expressing the provisions in clearer language. It was pointed out that the Grain Division would have for discussion at the Portland, Oregon, conference of Directors the proposed changes in the UGSA, and upon inquiry at this meeting CSS Commodity Offices offered no additional recommendations and changes.



### Special Assignments

Minneapolis indicated that the matter of special assignments to warehouse examiners involving across-the-board operations of the CSS Commodity Offices was creating a problem in getting the regular warehouse examiner work done; however, they felt that the demands for these special assignments was currently lessening. CSS Commodity Offices were told to keep a record of time and money spent on these special assignments so that it can be reflected in the records as an item for consideration for budget purposes, etc.

### Statutory Bond vs. CCC Bond

This matter was dealt with at an earlier session, but Cincinnati pointed out that it also preferred not to use Statutory Bond.

### Mothball Fleet Problems

Since the subject had been placed on the agenda it was reported that the problems had been resolved, consequently no time was given to the discussion of this topic. It was suggested that the CSS Commodity Offices, who have problems in this field, discuss them separately with the Grain Division.

### U. S. Warehouse Act Licensees

In cases of grain shortages occurring in Federally-licensed warehouses, U. S. Warehouse Act Examiners should be requested by CSS Commodity Offices to inspect such shortages rather than doing it with their own warehouse examiners.

Dallas pointed out that they had been following the policy, particularly in a recent experience with bean warehouses which were licensed under the U. S. Warehouse Act, to send their warehouse examiners to these Federally-licensed houses without first checking with the U. S. Warehouse Act Examiner

in charge. It was pointed out that this should not be done and that in all future cases applicable instructions should be followed in this matter.

Definition of a Warehouse for Warehouse Examination Purposes

Mr. Hanson undertook to get together with the Budget Division on such a definition which will be used for work status reports only, and will provide greater uniformity among the several CSS Commodity Offices.

Inventory of Cotton

Mr. Raper of the Cotton Division wants to eliminate the taking of a tag list inventory of CCC-owned and loan cotton stored with cotton warehousemen. It was pointed out to Mr. Raper that the policy of taking inventories of stored and loan commodities was established by the Administrator of CSS and that any alteration to such policy must receive the consideration and approval of the Administrator.

Mr. Raper was to work out a recommended plan with the New Orleans office for eliminating this tag list inventory of cotton. It was pointed out, however, that until the current Instructions on this operation are changed, CSS Commodity Offices will follow these Instructions.

